



UNITED STATES GENERAL ACCOUNTING OFFICE
WASHINGTON, D.C. 20548

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GENERAL GOVERNMENT
DIVISION

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MAY 7 1976

Mr. Julian R. Dugas
City Administrator
District of Columbia



Dear Mr. Dugas:

The General Accounting Office has completed its review of activities in the District's 14th Street urban renewal area. You were previously provided with a copy of a report summarizing the results of our review which was issued to the Chairman, Subcommittee on the District of Columbia, Senate Appropriations Committee at his request. Copies were provided also to other interested Congressional committees, the Mayor and City Council and to other District officials.

The enclosure to this letter contains details of our findings and conclusions, which are being provided to assist District officials in correcting the problems we noted. Several recommendations to the Mayor, which were included in our summary report have been re-stated in the enclosure. Our findings relate primarily to the:

- need to establish a system that will quickly identify buildings ready for demolition;
- slow progress in getting new housing units constructed and existing housing rehabilitated,
- lack of a management information system which would control properties from the time they are designated until they are disposed of and would keep track of tenants;
- need for further improvements in property management and
- potential for improving land disposition activities.

Our recommendations are listed beginning on Page 1 of the enclosure for your convenience.

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The details of our review were presented to the then Redevelopment Land Agency officials and their comments have been considered in preparing this report. We also briefed the District's Department of Housing and Community Development officials on the contents of the report on December 12, 1975.

Since we completed our work RLA has begun to correct a number of the weaknesses we brought to its attention. To the extent that we considered it necessary, we updated certain of the information contained in the enclosure. We did not, however, attempt to update all the information initially developed because the records of urban renewal activities were such (a point discussed throughout the enclosure) that further updating would have required a substantial amount of detailed work and analysis which we believe was neither justified nor necessary to support the points we made.

A copy of this report is being sent to the Chairman, Subcommittee on the District of Columbia, Senate Committee on Appropriations pursuant to his request. A copy is also being provided to the Chairman of the House District Committee, each member of the City Council, the District of Columbia Auditor, the Director, Office of Municipal Audit and Inspection, and the Director, Department of Housing and Community Development.

We would like to express our appreciation to the staff for the courtesies and cooperation extended during our review. Please advise us of the actions taken on the matters discussed in the enclosure. If you have any questions, please call me.

Sincerely yours,

Frank Medico
Frank Medico
Assistant Director

Enclosure

RECOMMENDATIONS TO IMPROVE URBAN RENEWAL
ACTIVITIES IN THE DISTRICT OF COLUMBIA

DEMOLITION (pp. 6 to 11)

Recommendation to the Director, DHCD

The Department should establish a system to advise the office of engineering, as soon as possible, when buildings to be demolished are expected to be vacant and to notify them when the buildings are in fact vacant.

RELOCATION (pp. 11 to 23)

We recommended to the Mayor that the District (1) develop a management information system to (a) control properties from the time they are designated until they are disposed of or dropped from the plan and (b) keep track of tenants from the time the District assumes responsibility for them until it has fulfilled its obligations, and (2) identify, as part of the management information system, all households in the relocation workload and report monthly on the relocation status of each household, highlighting for special attention those households remaining in the same category for extended periods.

Recommendation to the Director, DHCD

The Department should regularly monitor relocation counselors' activities to insure that householders are promptly given services to which they are entitled.

REHABILITATION OF PROPERTIES (pp. 23 to 30)

We recommended to the Mayor that the District (1) establish a system under which the progress of rehabilitation projects will be monitored and the specific cases progressing slowly will be highlighted for management action, and (2) undertake rehabilitation of agency owned property to both speed redevelopment in 14th Street and to demonstrate that rehabilitation can work.

Recommendation to the Director, DHCD

The Department should (1) explore with HUD and banking and housing interests in the private sector the possibility of obtaining additional Federal or private financial assistance for 14th Street area owner-rehabilitation activities and (2) monitor progress of contractor-rehabilitation of owned property to minimize delays.

PROPERTY MANAGEMENT (pp. 30 to 44)

The Department should:

- Require supervisory review of inspection reports to insure that inspections are adequate, that required corrective actions have been taken, and that inspection reports are properly filed in the property folders.
- Establish a followup system to insure that required work is done.
- Establish a system making satisfactory temporary relocation housing known to relocation personnel.
- Establish a systematic procedure to obtain signed lease agreements.
- Establish a followup system to insure that lease agreements are obtained and rents are collected.
- Establish procedures to periodically and systematically monitor the implementation of the revised maintenance-contracting procedure to ensure effective results and to avoid recurrence of the problem.
- Define, in consultation with HUD, what constitutes safe and habitable housing.
- Include, in its maintenance program, bringing occupied RLA-owned property to a safe and habitable level as appropriate.
- Through its inspection and counseling programs, insure that the safe and habitable standards are maintained.

LAND DISPOSITION (pp. 44 to 49)

We have recommended to the Mayor that the District discuss with developers the types of projects considered to have the best chance of succeeding before issuing a prospectus and that the District consider whether tax abatement would aid in more speedy redevelopment without adversely affecting the District's revenue position.

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INTRODUCTION

The 14th Street project was designated for urban renewal in September 1969 after the President of the United States mandated that the 1968 riot damage in 14th Street be cleared. News media exposure increased public awareness of the project and generated congressional interest in the Redevelopment Land Agency's (RLA's) implementation of it.

Urban renewal and RLA

RLA, created by the District of Columbia Redevelopment Act of 1945, is responsible for carrying out urban renewal activities in the District of Columbia. Urban renewal was to be accomplished through acquisition of real property for redevelopment or rehabilitation in accordance with approved urban renewal plans.

In 1949, the Congress enacted the National Urban Renewal Program to eliminate and prevent the spread of slums and blight and to help achieve the national goal of "a decent home and a suitable living environment for every American family." At the Federal level, the Department of Housing and Urban Development (HUD) administered the program by making loans and grants to local public agencies to carry out approved projects. Urban renewal in the District has been used in planning and rebuilding several neighborhoods since 1951, the first year funds were made available to RLA for renewal purposes.

In 1964, RLA was made responsible for providing relocation services and assistance to families, individuals, business concerns, and non-profit organizations displaced from real property by actions of either the District or Federal Government.

RLA was the District's local public agency; the Mayor appointed its board of directors with confirmation by the U. S. Senate. The Mayor also had the authority to adopt RLA's rules and regulations, which was redelegated to the RLA board. The 1945 act required the Mayor to determine:

"* * * that decent, safe and sanitary housing, substantially equal in quantity to the number of substandard units to be removed or demolished within the project area under the proposed redevelopment plan, are available or will be provided (by construction pursuant to the redevelopment plan, or otherwise) in localities, and at rents or prices, within the reach of low-income families displaced or to be displaced (temporarily or permanently), pursuant to the redevelopment plan, from the project area."

The Mayor must also, at the time the National Capital Planning Commission (NCPG) certifies RLA's plan for execution, issue a building permit freeze order which prohibits new construction or substantial remodeling, conversion rebuilding, enlargement, extension, or major structural improvement of existing buildings within the urban renewal area.

The District of Columbia Self-Government and Governmental Reorganization Act of 1973 provided home-rule powers for the District government and changed RLA's status from a Federal to a District corporation. This transfer was effective July 1, 1974. Under this act, the board of directors and the chairman of the board are to be appointed by the Mayor of the District of Columbia and confirmed by the District council. This act also authorizes the District government to reorganize or abolish RLA functions.

The Mayor issued Commissioner's Order No. 74-143 on June 29, 1974, establishing the Office of Housing and Community Development to plan and coordinate programs to meet housing and community development needs. All positions, personnel, property, records, and unspent balances of appropriations, allocations, and other funds available to RLA were transferred to the District of Columbia government on July 1, 1974.

On July 3, 1975, the District consolidated the housing and community development components of the District of Columbia government into the Department of Housing and Community Development (DHCD). RLA no longer exists as a separate entity; urban renewal activities are still carried out under basically the same organizational arrangement, same staff, and rules and regulations. For the purposes of this report we refer to the functions reviewed as RLA functions, although they are now the urban renewal functions of the Department of Housing and Community Development.

Urban renewal can be accomplished under either of two approaches. The conventional one involves planning and funding activities on a total project basis. The other approach--the neighborhood development program (NDP)--involves annually planning and funding only a segment of the total project. The NDP approach was used in the 14th Street corridor and covered the following periods.

<u>NDP--year</u>	<u>Period covered</u>
1	1-29-70 to 6-30-70
2	7-1-70 to 6-30-71 extended to 11-30-71
3	12-1-71 to 11-30-72 extended to 6-30-73
4	7-1-73 to 6-30-74 extended to 12-31-74

For the 4 NDP years we reviewed, RLA's cumulative NDP budget (Federal grants) was \$175,900,000; however, RLA indicated that it expected to receive approximately \$48,100,000 from the sale or lease of acquired property which would reduce the cumulative Federal grant to approximately \$127,800,000.

14th Street characteristics

The project area consists of a commercial strip along 14th Street with a major shopping area around Park Road between Columbia Road and Monroe Street. North and south of this center are many buildings with commercial activities on the ground floor and apartments above. The surrounding area is predominately residential, ranging from row houses 45 to 75 years old to large multistory apartment buildings.

This 340-acre project extends generally from Florida Avenue to Spring Road between 16th and 11th Streets. At the time the eligibility determination was made, the project included 2,786 buildings, 1,411 of which were deficient according to HUD criteria. Of the total buildings, 2,596 were residential and the remaining 190 were commercial. RLA indicated that at the outset of the project 5,965 family members and 7,668 other individuals resided in the area.

RLA records show that, as of June 30, 1974, approximately \$36.8 million of urban renewal funds had been spent (including relocation payments) in the 14th Street area--\$22,500,000 for land acquired or on which offers were made during the first 4 years of this project.

RLA ACQUISITIONS

Land acquisition represents a major cost of urban renewal. The amount of land acquired in one year determines the need for funds in succeeding years. The costs of property management, rehabilitation, relocation, demolition, site improvements, and interest on loans are directly related to the extent of acquisition. In keeping with the basic premise for designating 14th Street for urban renewal, RLA acquired as many riot-damaged properties as quickly as it could.

Land acquisition must comply with HUD regulations and with the approved urban renewal plan; it can begin only after a public hearing and approval by the District council. Properties in designated areas may be acquired for clearance and redevelopment when it is necessary to (1) remove buildings which are structurally substandard, (2) remove buildings to effectively eliminate blighting influences, and (3) provide land for public improvements.

Although RLA did not, as a rule, buy properties for rehabilitation, it could do so when the owners were unable or failed to conform properties with the urban renewal plan's rehabilitation standards.

As of July 16, 1974, RLA had acquired or made offers to acquire 462 parcels of land in the 14th Street urban renewal area. Acquisition cost was \$22.5 million. The City Council approved purchasing 83 additional properties at an estimated cost of \$1.7 million during the remainder of the fourth NDP year. HUD approved this action, and in October 1974 RLA requested the council to provide funds to make the purchases. The council did so for 20 properties, and RLA made offers totaling \$374,800 on these properties.

RLA acquisition activity 14th Street area

RLA began acquiring property in early 1970 as an aftermath of the 1968 civil disturbances. The planned and actual acquisitions for the first 4 NDP years through July 16, 1974, are summarized in the table on page 7.

The financial commitments for property acquisition are much lower than RLA initially estimated. An RLA official attributed the difference to the fact that budget estimates (prepared before appraisals) were higher than the formal appraised amounts later obtained.

We were unable to convert for the second, third, and fourth NDP years the number of lots or properties to parcels, to determine if RLA acquired everything approved. However, a comparison of each NDP year's planned acquisitions generally coincides with actual RLA acquisitions.

Further, although RLA apparently offered or acquired designated properties for clearance and redevelopment, for fourth-year proposed acquisition, many estimated rehabilitation properties were not acquired. (The estimated rehabilitation properties included those whose owners refused to rehabilitate.) RLA did not have to purchase the properties, however, during the NDP year estimated. The properties will be acquired only when an area has been designated for rehabilitation and the owner has been given full opportunity to do the required rehabilitation.

DEMOLITION

RLA lacks a system that would help it identify, for quick removal, buildings ready for demolition. Consequently, such buildings stand for long periods and become breeding grounds for crime and vandalism, add to the blight of the neighborhoods, and are health and fire hazards. This necessitates costs to seal and monitor vacant buildings against squatters, vandals, and others.

RLA ACTUAL PROPERTY ACQUISITION ACTIVITY AS OF 7-16-74

CLEARANCE AND REDEVELOPMENT AREAS ONLY

NDP Year	Planned acquisitions (note a)	Estimated acquisition cost	NDP YEAR 1		NDP YEAR 2		NDP YEAR 3		NDP YEAR 4		Totals	
			Offered	Settled	Offered	Settled	Offered	Settled	Offered	Settled	Offered	Settled
1	199 (parcels)	\$16,752,087	137	50	49	92	7	24	0	19	193	185
2	171 (lots)	8,361,038	0	0	100	56	58	75	0	18	158	149
3	29 (propc's)	2,525,200	0	0	0	0	24	13	0	7	24	20
4	36 (propc's)	3,410,705	0	0	0	0	0	0	3	2	3	2
Totals		\$31,049,030	137	50	149	148	89	112	3	46	378	356
1	50 (parcels)	\$ 825,000	0	0	3	1	8	10	0	0	11	11
2	90 (lots)	1,485,000	0	0	18	11	44	40	0	4	62	55
3	30 (propc's)	1,782,074	0	0	0	0	9	8	2	3	11	7
4	15 (propc's)	300,000	0	0	0	0	0	0	0	0	0	0
Totals		\$ 5,192,074	0	0	21	12	61	58	2	7	84	77
Totals		\$36,241,104	137	50	170	160	150	170	5	53	462	433

a Per NDP applications (differences in the number of parcels, lots or properties planned and actually acquired are the results of more accurate data obtained during acquisition)
b Committed funds represents amount of offers for NDP-1. For subsequent years amounts committed also include condemnation settlements.
c 15 parcels represent hardship acquisition (sec. 510.10(2) of urban renewal plan).
d Declaration of taking (cases in condemnation).
e 1 parcel awaiting owner's response as of July 16, 1974.

No system to identify vacant
structures ready for demolition

RLA had no effective system for identifying buildings that became vacant and should be demolished, and had not formally established necessary procedures for administering its demolition activities. Demolition procedures had been developed but had not been formally adopted because, according to an RLA official responsible for demolition, RLA management did not emphasize the development of a procedural manual.

The proposed procedures instructed the office of family and business relocation to notify the property management office when a structure was completely vacant. Property management was to notify the office of engineering weekly of vacant structures to be included in RLA demolition schedules. Although some vacate notices were forwarded as required by the proposed procedures, this was not done consistently. RLA's assistant executive director for administration agreed that formal procedures had not been adopted, but he advised that formalized procedures were being developed that would fix responsibilities as appropriate.

Property management did not always receive notices and when it did, it did not notify the office of engineering of all vacant structures available for demolition. A relocation official stated that, because of the time involved, vacate notices were not always sent to property management. Property management personnel stated that the notices were not always received.

In May 1974 the assistant executive director for relocation and property services said he had reinstituted the earlier procedures (1) under which vacate notices were provided to property management as notification that a structure was vacant and (2) which would serve as a basis for advising the office of engineering of the availability of a structure for demolition.

The memorandum issued to reinstitute the procedures, however, stated only that vacate notices were to be provided to property management, the office of financial management, and the maintenance division; it did not mention the purpose of providing the notices or what was expected to be done with them. Our followup showed that the notices were not always sent to property management and, when sent, were not used to determine whether buildings were vacant. Instead, property management continued to depend on physical inspection for determining whether buildings were vacant and for notifying the office of engineering that a structure was available for demolition. A property management official could not tell us why vacate notices were not used to identify vacant structures, although he agreed that the notices would be a good way of doing so.

Vacant buildings' attract squatters and vandals. Such buildings are also health, fire, and crime hazards.

The District's Bureau of Health Inspection Service cited 8 vacant RLA-owned properties 12 times for health code violations during the 9-month period ending August 1974. The fire department reported 19 fires in 9 vacant RLA-owned properties from October 1972 to June 1974. The police department reported 65 criminal incidents in 32 vacant RLA-owned properties from April 1973 to September 1974; multiple--incident cases covered periods from 3 to 6 months.

Lack of time standards governing
building demolition

RLA officials informed us that they have no criteria for designating a timeframe for demolishing buildings. The times from acquisition to demolition for the 125 buildings which had been demolished at the time we completed this phase of our work were:

<u>Period in which demolition occurred</u>	<u>Number of buildings</u>
Less than 1 year	43
More than 1 year, but less than 2	41
More than 2 years, but less than 3	30
more than 3 years	<u>10</u>
	^a <u>124</u>

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Of the total 125 buildings demolished, we were unable to properly age one building since the recorded date of demolition preceded the recorded date of acquisition.

More than 50 percent of the buildings demolished remained standing from 12 to 44 months. The average time between possession of a structure and its demolition was about 17.6 months, ranging from 3 to 44 months.

In fiscal year 1974 District of Columbia appropriations hearings in the Senate, RLA's director said that an average of 18 months was required to complete site preparation from property acquisition to demolition. RLA officials said RLA developed this average in a study of certain land parcels in the Shaw urban renewal area. For 14th Street activities, we computed that it took an average of 17.6 months from acquisition to demolition plus an average of 6.7 months to acquire the property.

RLA is not completing demolition in the 14th Street area quickly. According to an RLA official, the primary reasons for this are:

- The agency's policy of not moving people until the property is needed for development.
- The time required to include a sufficient number of buildings in a demolition contract, which may be delayed because certain structures may be in condemnation proceedings.
- Resulting structural problems for adjacent buildings.
- The availability of proper relocation housing within the residents' ability to pay.

To test the validity of these reasons, we identified 29 addresses of which all but two were in areas designated for clearance and redevelopment. The buildings were vacant at the time the relocation surveys were made and at the time of acquisition/property settlement. For 20 of the buildings demolition occurred from 2 to 29 months after acquisition; the Board for Condemnation of Insanitary Buildings (BCIB) demolished 3 of the remaining 9. The remaining six buildings were still standing and unoccupied in July 1974 when we completed this part of our work. RLA officials did not know the specific reasons why these buildings remained standing for such long periods.

We attempted, but were unable, to determine the vacancy status of structures demolished and currently in RLA's workload, to determine how long they were vacant before demolition occurred or was planned. RLA did not have the required data.

RLA officials and a HUD official said they did not think that criteria stipulating the time within which a structure should be demolished would be practicable because of unforeseen difficulties in the urban renewal process. It seems to us that establishing and using such a criteria would serve a number of good purposes, recognizing that exceptions would have to be made for delays due to unforeseen circumstances. For example:

- Target dates for demolition could be established at the time property is acquired.
- Property would be subject to closer control in determining whether target dates would be met; investigations of reasons for missed target dates would disclose, as applicable, problems in other urban renewal activities, such as failure to quickly relocate tenants.

- Potential for structures standing vacant for long periods and creating fire, health, and safety hazards should be minimized.
- The demolition process could be speeded up, thereby reducing the number of substandard properties in RLA's property management workload.

Conclusion

RLA had not demolished buildings in the 14th Street area in an expeditious manner. Longstanding vacant structures scheduled for demolition contribute to the blight which urban renewal is intended to remove, and such buildings could attract vandals and squatters. These vacant structures are health, fire, and crime hazards.

RLA officials could not provide specific reasons why they were not razed more quickly. One factor contributing to this problem is the lack of a system to provide management with data on the buildings' vacancy status so that they could be scheduled for demolition. Establishing such a system would provide the advance vacancy information on a property and the data necessary for advance planning by the office of engineering.

Recommendation to the Director, DHCD

The Department should establish a system to advise the office of engineering, as soon as possible, when buildings to be demolished are expected to be vacant and to notify them when the buildings are in fact vacant.

RELOCATION

RLA had not established an effective system to either control or monitor the progress of its relocation and claims workload. It has failed to provide safe and decent housing for a number of families, has not found housing for others, and has not promptly paid families' allowances.

RLA officials said that unusual circumstances in the 14th Street area inhibited RLA's ability to administer the relocation activity. The circumstances cited include the continued increase in the relocation workload without the expected materialization of relocation housing; the physical and social conditions of the area which created an atmosphere of fear and hostility and which placed unusual demands on staff; the mobility of 14th Street residents; some residents' resistance to relocate, including the filing of a law suit against RLA which remains unsettled and which, according to RLA, had a significant negative impact on relocation activities. We could not measure how the cited circumstances

affected the extent of the relocation activity. This report, however, deals primarily with the way RLA managed the relocation activities and with the lack of an adequate system to control the workload and to highlight cases where adequate progress was not being made.

At June 30, 1974, (1) 390 cases were pending final disposition, some for long periods of time, primarily because determinations of eligibility for relocation payments had not been made, (2) families remained in substandard temporary housing for periods exceeding those allowed by HUD regulations, and (3) 103 cases had been closed because RLA could not locate the families. RLA showed that, as of December 11, 1974, a substantial effort had been made to reduce the number of cases pending final disposition.

A substantial but undetermined number of families (some records were not available) remained in substandard housing, had payments delayed, or lost the opportunity to receive such payments because they had moved and RLA could not find them. In addition, by not moving families to permanent residences, RLA incurred the added expense associated with moving the households to temporary residences, sometimes more than once, and of maintaining the temporary residences.

RLA has taken some steps to improve the management of its relocation activity; further improvements, particularly in the areas of centralized control, monitoring, and followup, are necessary.

On January 20, 1975, RLA gave us detailed information on its efforts to reduce its backlog. This information showed that from July 1, 1974, through December 11, 1974, RLA processed 179 claims, 87 of which represented eligible cases. RLA's report on family relocation status showed that, for the six months ended December 31, 1974, the claims backlog had been reduced from 390 to 325 cases although 128 new claims had been received during the period. Because of the time required, we did not verify either RLA's claimed progress or the data contained in RLA's December 31, 1974 report, although we noted that during October 1974 RLA was making a concerted effort to reduce its backlog.

Unnecessarily delayed relocation payments
for displaced 14th Street residents

RLA had made 128 relocation payments totaling \$512,000 to displaced 14th Street residents from inception of the program through June 30, 1974. An additional 390 households had moved but had not received payments. RLA considered 198 of these as "closed cases"; that is, physical relocation had been accomplished but (1) a final determination of eligibility for payment had not been made or (2) for some cases, the final determination had been made and the claim was being processed at June 30, 1974. These households had been permanently moved for an average of 22.8 months.

Of the remaining 192 households, 172 had self-relocated. Of these, 97 were awaiting inspection, 18 were in substandard dwellings, and 57 were missing but were being traced. The other 20 had moved before the effective date of the 1970 Uniform Relocation Assistance Act. RLA was attempting to determine the status of these 20 cases at the time we completed our fieldwork.

Although not all of the 390 households will ultimately be found eligible for relocation payments, a large number will, and RLA's lack of timely processing unnecessarily delayed payments to the eligible households.

There was no centralized control over the relocation workload and no systematic monitoring of the progress of specific cases in the workload. Another contributing factor is the lack of a followup system to insure that requested inspections--a prerequisite to payment--are made promptly.

The following table shows the number of families/individuals paid, the calendar year moved, and the year in which they received payment.

Calendar year	Number paid	Year Paid				Number pending
		1971	1972	1973	1974	
1971	24 ^a	-	-	18	5	70
1972	40	-	-	38	2	48
1973	56	-	-	39	17	50
1974	8	-	-	-	8	26
	<u>128</u>					<u>194</u>
Cases where dates not available	<u>-</u>					<u>4</u>
	<u>128</u>					<u>198</u>

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For one case no payment was made because payment was offset by amount of rent due.

RLA took an average of 11 months from the date the households/individuals moved to make payments. RLA was also slow in notifying households that they were ineligible for relocation assistance payments. For 52 cases where documentation was available (there were 135 ineligible cases in total) RLA required an average of 16 months from the date the tenants moved to notify them of their ineligibility.

HUD and RLA officials attribute much of the delay in processing relocation payments and/or determining eligibility to lack of established relocation payment guidelines under the new relocation legislation. A HUD area-office official stated that the HUD central office did not approve the HUD relocation handbook until July 1971 and that further technical writing delayed the distribution to local agencies until the latter part of the year. On December 12, 1971, RLA submitted, as required by the HUD handbook, its letter of assurance to HUD indicating its ability to make payments under the Uniform Relocation Act. On February 16, 1972, HUD approved RLA's letter of assurance, authorizing it to make such payments. An RLA official said, however, that RLA could not begin the payment process until HUD approved the required schedules of "comparables" which show the average price of comparable rental and sales housing units in the Washington Metropolitan Area.

A HUD official stated that the HUD relocation handbook required these schedules and that RLA did not submit them to HUD until September 14, 1972. An RLA relocation official said, and a HUD official concurred, that RLA experienced problems in completing the schedule of comparables and as a result it hired a consultant to make the necessary computations. The RLA official could not tell us why RLA could not make the computation, and the person to whom we were referred for an explanation had since retired and could not be located. The HUD official also told us that HUD approved RLA schedules of comparables on September 28, 1972. RLA was not able to explain why it took approximately 7 months from HUD's approval of RLA's letter of assurances until the schedules of comparables were submitted to HUD for approval. RLA officials felt that such delays caused the excessive time in making payments and/or determining eligibility.

Of the 128 cases paid, many of the 74 households which moved after September 1972 were not paid on time. In addition, of the 52 ineligible cases documented, we found that the determinations for 14 of the 15 cases (data not available for 1 case) that moved after September 1972 took from 1 to 19 months.

The 74 households that moved after September 1972 waited from 1 to 16 months to receive a relocation payment, as follows:

<u>Time period</u>	<u>Number of households/individuals</u>
from 1 to 4 months	41
5 to 8	9
9 to 12	16
13 to 15	4
16	1
	<u>a 71</u>

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Three cases could not be included since the date of recorded payment preceded the recorded date of move. RLA advised that these tenants needed the payments before they could move.

In 9 cases, payments were approved before the date of the move, and payments were made shortly after the move. All 74 cases required about 1 month from the time the claim was received until it was approved and the voucher was submitted for payment. We could not readily determine the time needed to complete the payment but were told that it took about 2 weeks. Delays were encountered, however, in submitting the claims. For the 62 cases in which claims were submitted after the tenants moved, an average of 4.9 months elapsed from the date the tenants moved to the date the claim staff received the claim, as shown below.

<u>Time</u>	<u>Number of households/individuals</u>
from 1 to 4 months	37
5 to 8	10
9 to 12	11
13 to 15	4
Total	<u>62</u>

We queried RLA officials about why payments in these cases took so long. RLA did not give specific reasons but said that several routine delays--such as income verification, unit inspection, verification of rent due the agency, and insufficient internal claims processing procedures--affect many claims. The last item seemed to be a problem throughout RLA. The other factors mentioned are part of the required claims process and would not seem to justify delays exceeding 4 months for the 25 cases in that category.

Backlog of relocation claims

RLA does not systematically accumulate data on the individual households in its claims workload, and no procedure was in effect to monitor the progress of claims to insure that they are processed on time. Although a precise standard cannot be applied to each case, we believe that delays beyond 90 days from the date of move to the date of payment are unreasonable. RLA said that it planned to implement a monitoring system, on an individual-case basis, in the near future.

Detailed data prepared in response to our request and provided to us by RLA, based on activity through mid-June 1974, listed 578 households which had been removed from RLA's relocation workload either because they had been paid, were declared ineligible, could not be located and tracing had been abandoned, or had claims in process. This data identified 196 households which RLA represented as its relocation claims backlog; two additional claims increased the total to 198. These 198 households had been living in permanent housing an average of 22.8 months at June 30, 1974.

Data could not be obtained without a search for and examination of individual case files at the 14th Street area relocation office, to determine the time required to initiate a claim after a household was moved. As pointed out earlier, for paid claims to households which moved after September 1972, the average was over 4 months. The average processing time for all such claims was about 1 month. The 198 backlog cases have experienced much longer delays, given the fact that they have been permanently relocated an average of 22.8 months.

A test of 39 of the 198 case folders, however, indicated significantly longer delays in getting a claim initiated. At June 30, 1974, a claim for only 1 of 39 cases tested had been initiated--29.5 months after the tenant moved. Since June 30, 1974, RLA concentrated on processing its backlog, and by December 11, 1974, it had processed 179 claims; during the same period 128 new cases entered the claims workload. The director of RLA's family relocation division told us that the reason for the sudden increase in claims processing was that his division had previously placed a higher priority on dealing with the increasing relocation workload than on processing claims. When this workload leveled off his division was able to devote more effort to claims.

On January 20, 1975, RLA gave us a copy of a new claims processing procedure incorporated in RLA's manual on December 26, 1974. The procedure set forth requirements at each operating level and established a system, to be maintained by RLA's relocation data and research staff (data center), for highlighting the progress of claims (identified by name, address, and other pertinent factors) through the process and highlighting cases in which claims have not been filed although the households have been permanently relocated. These procedures, if properly implemented, should insure that the status of the claims workload will be readily ascertainable, for those cases for which the data center received information. A major problem, however, is that the system can control only cases reported by the field relocation office, and this reporting, which uses change notices, has been a continuing problem which RLA has acknowledged but has not yet solved.

On October 24, 1975, RLA informed us that it has formally implemented the new claims procedure for controlling the status of tenant claims. Performance standards have been established for handling the claims workload and quarterly reports are prepared on the extent to which the standards are not met. These reports do not identify the reasons why standards are not met, but only highlight that a problem exists. In addition the system is based on change notices provided by relocation counselors--a problem discussed later.

In addition to the 198 cases discussed, 172 additional households have been relocated; of these, 97 were awaiting inspection, 18 were in substandard dwellings, and 57 could not be located. Another 20 households had moved before the effective date of the 1970 act.

The 192 cases had been in the various categories for long periods.

- Data provided by RLA as of August 30, 1974, on 91 of the self-relocated households awaiting inspection as of June 30, 1974, showed that they had been waiting from 1 month to 44 months, or an average of 12.5 months.
- The 18 households which had self-relocated to substandard housing as of June 30, 1974, had been in this category from 2 months to 27 months, or an average of 12 months.
- The data center could only provide data on 55 of the 57 self-relocated households whose whereabouts were unknown. These households had been in this category from less than 1 month to 31 months, or an average of 9.6 months. RLA data showed that immediately before RLA lost track of these households, 40 were in agency-acquired property, 9 had been self-relocated to dwellings awaiting inspection, 4 had been temporarily relocated, and 2 were in unacquired property.
- RLA was clarifying the status of the 20 households which had moved before the effective date of the 1970 act, but it had made no decision on these households at the time we completed our fieldwork.

RLA had no system for following up to identify the cases discussed or to insure that they are processed on time. RLA relocation officials could offer no specific reasons for these delays, but they said that the reasons which delayed payments also affected relocations that is, income verification, unit inspection and verification of rent due the agency.

Inspections

RLA could provide details on 91 of the 97 self-relocated households listed as awaiting inspection at June 30, 1974. These 91 cases had been in this category from less than 1 month to 44 months, or an average of 12.5 months.

We looked at 42 case folders; 12 of these cases had no documentation to show that RLA had requested the District's licenses and inspections division to inspect the properties, no documentation to show that the division had attempted to inspect the property, and no indication that RLA's relocation staff was aware that an inspection had not even been attempted.

In the remaining 30 cases, requests for inspection were in the files. In 9 cases the inspection was made; 7 units were found to be standard, and 2 units were found to be substandard. RLA records show that claims had been filed for 2 of the 7 households in standard housing. There was no indication that any action had been taken to file claims for the remaining 5 households or to find standard housing for the 2 households in substandard units, subsequent to the time these households entered

these categories. For 20 cases, the files showed evidence that the division attempted to inspect the property, sometimes more than once, without success. The remaining case had no evidence of an attempted inspection.

Most of the inspection activity discussed above was initiated and accomplished from April 1974 through July 1974, although the households involved had been in the housing-to-be inspected category for long periods, some exceeding 2 years. RLA relocation officials acknowledged that they had no followup system to monitor whether inspections were requested and made on time and to insure that households were given the assistance required to accomplish a successful permanent move.

RLA gave us a copy of guidelines on inspections dated October 21, 1974. These guidelines do not, however, address the problem of followup on cases in which requested inspections were not made. (As pointed out above, inspectors attempt to inspect premises but cannot get in for a variety of reasons.) The guidelines also discuss the delays experienced because RLA does not have exclusive use of an inspector.

Households remaining in temporary housing for excessive periods

Many residents displaced by urban renewal remained in temporary, substandard housing more than the 1 year allowed by HUD regulations. In addition, RLA incurred the additional costs of moving the households and of maintaining the substandard units to which the households were temporarily moved.

Temporary relocations

As of June 30, 1974, RLA reported that 124 households were in the temporarily moved category. Detailed information provided at our request listed a total of 156 households that had been temporarily moved (including 36 closed cases) since the inception of NDP in 14th Street through mid-June 1974. Our examination of field relocation records (temporary move logbook) and information provided by 14th Street area relocation officials showed that 32 additional households had been temporarily relocated.

RLA's total temporary relocations amounted to 188 households, based on the details RLA provided plus the additional data we developed at the 14th Street relocation office. (The total does not include four temporary relocations included in RLA's June 30, 1974 report because the identity of the households in these cases was not readily available.) Of this total,

cases relative to 51 households were closed. This included the 36 cases shown in RLA's detailed information, 7 cases which RLA showed as closed but which were not included in its list of temporary moves, and 8 cases which RLA's detailed information did not show as either temporary moves or as closed.

We asked the RLA relocation official responsible for data center activities to explain the differences between the detailed information prepared from data center records and 14th Street relocation office records. This official advised us that the primary document used to provide information to the data center is a change notice prepared by the relocation counselors. He said that change notices are not always prepared or are not prepared quickly. He said also that some change notices are never sent to the data center or are sent long after the change takes place. Thus, the time lag involved in these circumstances, he said, could account for the differences.

We noted cases in which the data center received change notices long after the change occurred--in a few cases as long as 20 months after the change. We could not tell whether the problem was in preparing or submitting the notice because information was not available to show when it was prepared. At the 14th Street relocation office we noted cases for which the case folder had no copy of a change notice although it had other evidence to show that a temporary move had occurred. (Counselors are supposed to file one copy of the four-copy change notice in the case folder for each change in the tenant's status.) There was no system in effect to insure that change notices were prepared or when prepared that they were submitted to the data center. The logbooks, in which temporary and permanent relocations are recorded, were deficient in several respects, as discussed later in this chapter.

Households categorized as in temporary housing at June 30, 1974 had been in such housing an average of 14.6 months. Those reported as closed cases had remained in temporary housing an average of 11 months. The following table shows the length of time households had been in temporary housing.

<u>Time</u>	<u>Number of households</u>
Less than 1 year	90
At least 1 year but less than 2 years	56
At least 2 years but less than 3 years	33
At least 3 years but less than 4 years	4
Total	<u>183</u>

a

Two cases could not be categorized since dates were not available, and three cases could not be categorized because tenants had been in penal or mental institutions for an extended time.

RLA relocation officials said tenants remain temporarily relocated for long periods because:

- Many RLA tenants' applications for standard dwelling units are rejected because landlords feel that RLA tenants are bad tenants.
- Many tenants are only eligible for public housing.
- Many tenants do not want to move to other parts of the city.
- Many tenants are awaiting the construction of new units.
- Agency policy is to not require these families to move before development is scheduled at the onsite location.
- A court order prohibited involuntary relocation for a 2-month period in 1973.

RLA's records were inadequate to provide the information necessary to properly manage and monitor the progress of cases in the relocation workload. Control records did not exist to identify the specific cases in the various categories comprising the workload. The 14th Street field relocation office informally maintained records (logbooks) of temporary and permanent moves, but it had no system to either insure that all moves were recorded or that all recorded moves had in fact occurred.

In response to our request, RLA gave us a list detailing the various categories in the relocation activity. We found numerous instances in which moves recorded in the logbooks were not included in RLA's official information center records and in which moves included in the data prepared from center records was not listed in the logbooks. The statistics discussed earlier in this chapter represent a composite of these sources.

The relocation counselor had primary control over the relocation workload in the 14th Street area. Each counselor had full responsibility for cases in his workload, but no monitoring system was operating to insure that cases were adequately progressing and being expeditiously closed.

The lack of adequate monitoring of temporarily relocated households contributed to the failure to highlight these families' long stays in such housing.

RLA installed a new filing system to facilitate review of the status of cases and followup actions by counselors and supervisors. There were about 800 cases remaining in the relocation workload, 500

of which had not yet been relocated. Each case file should contain numerous documents such as initial interviews, memos of subsequent interviews, change notices, requests for inspections, inspection reports, etc. Under the new system, however, it would be necessary to physically examine each case file to verify its status or determine whether it needed special attention. While this approach, on a test basis, would serve to adequately monitor the counselor's performance, it is not practical for either controlling the workload or highlighting cases needing special attention because it would involve a time consuming review of each case folder. Moreover, the timely reporting of changes in status, particularly a change to a "permanently moved to standard housing" status, is critical if the newly established procedures over claims processing are to function properly. Only by chance, unless all cases in a category are reviewed, would a problem case be highlighted or a counselor's failure to document and report a change in status be disclosed.

Also, RLA has incurred the unnecessary expenses of moving these households temporarily relocated. These costs vary and we did not attempt to determine what they might be. As an indication, however, for 18 tenants temporarily relocated in late calendar year 1973, the cost of each move averaged about \$420. An unknown number of households are temporarily relocated more than once. When households are relocated in RLA-owned property, additional costs are incurred to make the units habitable. Cost data is not readily available, but we were told that maintenance costs are often substantial.

Cases closed because RLA
could not locate households

RLA's June 30, 1974 report showed that 103 cases had been closed because RLA could not locate the households and had abandoned efforts to find them. Information was not available on why RLA lost track of these households. On the basis of data that was available, more timely efforts and a more systematic approach for providing relocation assistance apparently would have prevented this problem's bad effects.

Obviously, some families displaced by any urban renewal are capable of self-relocation and neither want nor need outside help. We have no reason to believe that the 14th Street area is any different.

Detailed RLA information on 96 cases in the tracing-abandoned category showed that several steps in the relocation process had not been accomplished, even though these households were in RLA-owned property. For example, the record interview--during which RLA explains the relocation program to and obtains pertinent data from tenants who will be required to move--was not held with 36 households. For 29 of

the households there was no indication that the interview was even attempted; in 7 additional cases the record shows that the interviews were attempted but the tenant could not be contacted. Without the required information from the tenant, RLA could not plan for the household's relocation. Similarly, without the details of the relocation programs, the households were unaware of the program's requirements, benefits available, or when they might be expected to relocate.

Of the 96 households, 13 were never recorded in the whereabouts-unknown-tracing category into which households are placed as soon as their absence is noted. Also, 15 of the cases were never recorded in the tracing-efforts-abandoned category, although other RLA documentation showed that the cases were closed.

The case folders showed that, for the 42 cases for which the information was available, the households were placed in the whereabouts-unknown-tracing category about 8.6 months after they were first brought into RLA's relocation workload.

In its January 20, 1975, communication, RLA expressed the view that a portion of its relocation workload had "a desire for anonymity." As support, it cited a private firm's survey of District households which received only a 59-percent response rate. This, according to the firm's vice president, was attributable to a "passion for anonymity" on the part of some District residents.

RLA also expressed the view that its tenants' mobility added to the problem. We discussed this matter with an RLA official and pointed out that, if RLA made every reasonable effort to locate a household without success, the household should be dropped from the workload. Such action would allow RLA to deal on a more current basis with those households whose whereabouts are known. We pointed out that all of the steps would have to be taken more quickly than in the past. Relocation guidelines cover reinstating such a household when it makes its presence known and can substantiate its eligibility, so no hardship would be imposed on any household dropped from the workload as we suggested.

The RLA official said he had directed relocation officials to review cases in the whereabouts-unknown-tracing category to identify those in which every reasonable effort had been made to locate the household without success, so that such household could be dropped from the workload.

Conclusion

RLA had some significant difficulties in carrying out its relocation program. Some were beyond its control; others, however, were the direct result of not establishing an adequate system to control its relocation workload, to provide information to effectively manage the relocation

activity, or to monitor the activity's implementation. As a result, some households which had been moved to standard housing had their payments unnecessarily delayed and others remained in temporary substandard housing for periods longer than those allowed by HUD guidelines. Finally, RLA lost track of many households, some of which would be eligible for payments. We were concerned that some of the households which had been permanently moved and were awaiting further action by RLA to obtain their relocation assistance payments might be forced to move and would fall into the missing category.

We discussed these matters with RLA officials and on January 20, 1975, received data outlining RLA's efforts to eliminate its claims backlog and establish meaningful controls over its claims and relocation workloads. RLA had made substantial progress in these areas, but it needs to do more, to insure that claims are promptly initiated so that the newly instituted controls can operate.

RLA has somewhat improved controls over the relocation workload by revising the case folder filing method. This change, while representing an improvement--particularly in providing the opportunity for monitoring relocation counselor's activity--does not provide for specifically identifying all households in the relocation workload or for identifying specific cases which have remained in the same status for long periods.

We have recommended to the Mayor that the District (1) develop a management information system to (a) control properties from the time they are designated until they are disposed of or dropped from the plan and (b) keep track of tenants from the time the District assumes responsibility for them until it has fulfilled its obligations, and (2) identify, as part of the management information system, all households in the relocation workload and report monthly on the relocation status of each household, highlighting for special attention those households remaining in the same category for extended periods.

Recommendation to the Director, DHCD

The Department should regularly monitor relocation counselors' activities to insure that householders are promptly given services to which they are entitled.

REHABILITATION OF PROPERTIES

Lack of funds limited RLA's ability to meaningfully help most 14th Street area homeowners rehabilitate their properties. However, when funds were available, RLA was ineffective in getting buildings rehabilitated promptly.

RLA designated about 1,360 buildings for rehabilitation in the 14th Street urban renewal area since NDP's inception in 1970. Through September 1974 only 22 buildings, all privately owned, had been

rehabilitated--15 with RLA assistance; 2 additional properties were in process of being rehabilitated. RLA did not know, because it did not have a sound control or information system, that long delays were occurring in rehabilitating buildings, and in some cases, no action was taken at all.

RLA could have led the way in rehabilitating the 14th Street area, but until September 1975 when work started on 2 apartment houses, none of the 89 RLA-owned buildings had been rehabilitated. Timely rehabilitation of RLA-owned property and assistance to owners who did begin rehabilitation would have shown residents what RLA could accomplish and could have encouraged other owners to improve their property.

The following schedule shows planned rehabilitations and the total units included in the first 4 years of NDP.

Number of Residential Buildings

<u>NDP year</u>	<u>Acquired by RLA for rehabilitation</u>	<u>To be rehabilitated by owner</u>	<u>Total buildings</u>	<u>Number of dwelling units</u>
1	0	177	177	550
2	12	149	161	479
3	70	65	135	277
4	7	883	890	2,876
Total	<u>89</u>	<u>1,274</u>	<u>1,363</u>	<u>4,182</u>

As of June 20, 1974, RLA had spent \$138,925 for rehabilitation-related expenses. About \$8,000 was used to finance costs for owner-rehabilitation properties. The remainder represented costs of architectural and consultant services for RLA-owned properties in the 14th Street area.

Homeowner rehabilitation

RLA's rehabilitation program emphasizes persuading owners to rehabilitate their property by providing them with technical and financial assistance. Technical assistance consists of identifying what needs to be done; preparing work specifications, cost estimates, and drawings; assisting in obtaining a qualified contractor; and inspecting in-progress and completed construction work. Financial assistance involves preparing and processing applications for financial aid, which at the time included 3-percent, 20-year loans up to a maximum of \$17,400 under section 312 of the Housing Act of 1964 and/or grants up to a maximum of \$3,500 under section 115 of the Housing Act of 1949.

RLA officials said that before December 1973 they only assisted homeowners who showed interest in rehabilitating their properties, because

sufficient HUD loan funds were not available to permit an extensive rehabilitation program. RLA distributed leaflets and brochures which explained the program and met with various community organizations. RLA did not make systematic inspections before December 1973, except for those properties where owner-interest was evidenced, to determine what specific improvements were required. RLA officials said, and HUD officials confirmed, that the reason for this was because the funds for section 312 loans were not always available. When rehabilitation could not be achieved within a reasonable period after inspection, reinspection of the property would be necessary.

From the beginning of NDP in 1970 to January 1974, RLA assisted only 14 property owners in the 14th Street area in obtaining section 312 loans or section 115 grants. RLA advised us on September 27, 1974, that three additional properties had been rehabilitated since January 1974. Limited funding precluded a more extensive rehabilitation effort.

For the 14 cases, the average time from the property owners' decision to rehabilitate to the start of construction was about 14 months. Delays were experienced in the rehabilitation process of each of the 14 properties. RLA advised that four of the projects were delayed because of the unavailability of section 312 loans, but neither RLA nor HUD could provide any information to support this. RLA rehabilitation personnel responsible for these projects were unable to give reasons for the delays in most of the remaining cases.

In several cases delays were directly attributable to RLA. For example, one of the projects had taken over 20 months from the time the owner decided to rehabilitate his property until the start of construction. The major delay involved over 9 months from the date of loan approval to obtain settlement on the loan. An RLA official informed us that this delay resulted because the loan package was needlessly returned to RLA's 14th Street area office after RLA headquarters approved it.

Another case took almost 19 months from the owner's decision to rehabilitate his property to the start of construction. The delays in this case, which overlapped, were:

- Over 2 months before RLA inspected the property.
- Over 6 months to obtain final owner approval to rehabilitate.
- Over 10 months to select a contractor. (The contractor initially selected withdrew after waiting over 10 months to start construction.)
- Over 7 months before RLA completed the loan and grant application.
- Over 9 months from the date of the loan and grant approval until settlement. An RLA official informed us that this delay resulted, as in the previous example, because the loan/grant package had been needlessly returned to RLA's 14th Street area office after RLA headquarters approval.

RLA rehabilitation personnel were unable to explain the reasons for the above delays.

An RLA rehabilitation official said that RLA makes rehabilitation case followups. No formal followup procedures were in effect, however, and we were told that followup actions, when taken, were not always documented. The official agreed that formal followup procedures requiring documentation of the actions needed and taken would be helpful.

In January 1974 RLA was authorized \$2 million of section 312 loan funds to rehabilitate houses under private ownership in all urban renewal areas; RLA allocated \$1 million to the 14th Street area.

Funds not committed by June 30, 1974 were to be returned to HUD. RLA undertook a crash program and committed these funds before June 30, 1974. This program consisted of a systematic inspection of properties in rehabilitation areas to determine the repairs needed to bring the properties up to the standards of the District housing code and the 14th Street urban renewal plan.

RLA advised us on September 27, 1974, that it had inspected over 700 properties. After the inspections, RLA notified the property owner of the deficiencies and the financial assistance available for the rehabilitation of his property. The owner was also advised that he had 120 days (or some other reasonable time as established by RLA) to begin rehabilitation. RLA, however, has not yet established such a criteria for the rehabilitation of its own properties even though the agency owns many vacant and boarded properties next to privately owned properties in rehabilitation areas.

As of August 2, 1974, RLA had committed \$1.1 million for rehabilitating 60 privately owned properties in the 14th Street area, and HUD approval was pending on five properties, with commitments totaling \$66,650.

At the time of our review, RLA had three rehabilitation specialists and one finance specialist assigned to the 14th Street area. An RLA official informed us that, to process the applications for the most recently approved 60 properties by HUD's revised deadline of December 31, 1974 at least 7 rehabilitation and 2 finance specialists should have been assigned to the 14th Street area. RLA officials advised us, and a HUD official agreed, that additional staff could not have been used previously because of the unavailability of section 312 loans. As discussed later, staffing has been improved.

Considering the 80 buildings which RLA plans to rehabilitate, the 60 approved, and the 5 pending approval for rehabilitation under the expanded section 312 program, over 1,200 buildings remained to be rehabilitated in the 14th Street area. Since the beginning of NDP in 1970, only seven homeowners in the 14th Street area had rehabilitated their houses without financial assistance from RLA. The other 14 we reviewed used the section 312 loan and/or section 115 grant programs. RLA and HUD officials agreed that the past rehabilitation program in the 14th Street area had not been very successful. RLA officials said the program would have been more successful if additional section 312 loans to assist low-income families had been available.

The section 115 grant program allows a maximum grant of \$3,500 to homeowners who qualify for this type of assistance. An RLA official said this grant amount is not sufficient to cover the cost of rehabilitating the 14th Street area. He also said that many of the residents in the 14th Street area do not qualify for this grant because their income levels are too high (above \$3,000) but that, because of the high cost of rehabilitation, they cannot afford to make the necessary improvements without financial assistance.

According to an RLA official, to complete the rehabilitation program in the 14th Street area, additional sources of funds have to be made available to the property owners of this area. On the basis of current RLA experiences whereby 60 homes required \$1.1 million and its past experience which indicates that 14 months elapsed in the rehabilitation process, the remaining properties requiring rehabilitation would involve a multimillion dollar Federal effort requiring a number of years to complete. RLA officials said that private homeowners do not rehabilitate without RLA assistance because (1) many of them cannot afford to, (2) banks are unwilling to make loans in an urban renewal area, and (3) urban renewal in the 14th Street area is so uncertain. For NDP's fourth year RLA performed a census tract analysis, using 1970 census data, of the 14th Street area which showed that many of the homeowners could not afford to rehabilitate.

Several improvements have been made in the rehabilitation activity. Responsibility for rehabilitation in all urban renewal areas has been centralized and the rehabilitation staff has been increased. The District hired a consultant to streamline the rehabilitation process and plans are to develop inhouse capability for architectural services and construction inspections.

Conclusion

Rehabilitation of 14th Street area properties has proceeded at a very slow pace. One of the primary reasons was lack of financial assistance to help the relatively low-income owners rehabilitate their properties, a matter over which RLA had no control. RLA's lack of aggressive action in carrying out the rehabilitation process, particularly with its own properties, also contributed to the slow pace. The unexplained delays enumerated earlier indicate a lack of adequate procedures for processing rehabilitation cases as well as the absence of a followup system to insure that cases are processed promptly.

RLA lost the opportunity to provide significant leadership in rehabilitating the 14th Street area by not promptly rehabilitating its own properties and by failing to establish itself as a competent partner in assisting owners to rehabilitate their properties. Establishing such leadership will be more difficult under the prevailing economic condition. Because 14th Street is primarily a rehabilitation area and because owner rehabilitation is the way in which most of the rehabilitation is to be accomplished, RLA must place a high priority on initiating substantial rehabilitation of the area. The recent increase in the number of properties to be rehabilitated will provide a good opportunity for RLA to improve its performance by insuring that this rehabilitation effort is completed on time.

Obtaining sufficient subsidized financing of rehabilitation has been cited as an additional problem to be surmounted to initiate a sustained owner-rehabilitation program. DHCD should explore with HUD and with other appropriate District Government officials the best course of action to follow in obtaining appropriate financial assistance for 14th Street area residents.

The steps already taken by the District should help in providing greater control over the rehabilitation process and in providing staffing for the activity. In addition we recommended to the Mayor that the District establish a system under which the progress of rehabilitation projects will be monitored and the specific cases progressing slowly will be highlighted for management action.

Recommendation to the Director, DHCD

The Department should explore with HUD and banking and housing interests in the private sector the possibility of obtaining additional Federal or private financial assistance for 14th Street area owner-rehabilitation activities.

RLA-owned properties

In the first-year NDP application submitted to HUD, RLA planned to acquire 50 buildings in the 14th Street area for rehabilitation. RLA planned to dispose of 40 of these buildings to nonprofit sponsors and to rehabilitate the remaining 10 buildings itself. In the second and third years' applications, RLA estimated it would be necessary to acquire 21 and 30 buildings, respectively, for direct agency rehabilitation.

Since September 1971, RLA has acquired a total of 89 buildings for rehabilitation in the 14th Street area.

<u>NDP year of acquisition</u>	<u>Number of buildings acquired</u>	<u>Dwelling units as of 3-22-74</u>	
		<u>Occupied</u>	<u>Vacant</u>
2	12	18	4
3	70	152	123
4	<u>7</u>	<u>14</u>	<u>46</u>
Total	<u>89</u>	<u>184</u>	<u>173</u>

At the time of our review none of the 89 buildings had been rehabilitated, although 80 were assembled into 5 projects for direct rehabilitation by the agency or by a sponsor. The remaining buildings were dropped from the rehabilitation program because of structural deficiencies not known at the time of acquisition or because of changes in the intended use of the property. In September 1975, rehabilitation began on two apartment buildings (Project R-011).

The five rehabilitation projects and their planned target dates are shown below.

<u>Project</u>	<u>Number of buildings</u>	<u>Planned date for construction to start</u>		<u>Planned occupancy date</u>		<u>NDP year properties were acquired</u>
		<u>Initial</u>	<u>Revised</u>	<u>Initial</u>	<u>Revised</u>	
R-020	a 35	12-74	6-76	12-75	1-77	2,3,4
R-020A	b 8	12-74	7-76	12-75	11-76	2,3
R-023	14	4-75	6-76	3-76	12-76	3
R-011	2	11-74	9-75	12-75	3-77	3
			started			
R-027	<u>21</u>	4-75	7-76	3-76	11-76	2,3
	<u>80</u>					

a

Three of these properties were pending condemnation at the time of our review.

b

Two of these properties were pending condemnation at the time of our review.

As of September 4, 1975 each of the projects listed above had been delayed for periods of from 9 months to 15 months; as of April 13, 1976 the four projects not yet started had been delayed an additional 3 to 6 months.

Conclusion

RLA began acquiring property for agency rehabilitation in the second NDP year. When we completed our field work RLA had acquired 89 properties for this purpose but had not begun physical rehabilitation on any of them. In addition to providing relocation resources which, according to RLA, is a serious problem in the 14th Street area, agency rehabilitation would also serve the twofold purpose of removing blighting influences from neighborhoods and setting an example which could spur property owners to rehabilitate properties on their own initiative. The need for some action on the latter point is all too evident in rehabilitation statistics, which show that only seven property owners in the 14th Street area rehabilitated their properties without financial assistance.

Redevelopment in the 14th Street area was initiated under very difficult circumstances. Over 5 years have passed, and progress in the area has been very slow. The major activity in the 14th Street area is rehabilitation, and we believe that, if that area is to be renewed, rehabilitation activity must be quickened. RLA has advised us that acquisition, for purposes of clearance and redevelopment, is basically completed.

We recommended to the Mayor that the District undertake rehabilitation of agency owned property to both speed redevelopment in 14th Street and to demonstrate that rehabilitation can work.

Recommendation to the Director DHCD

The Department should monitor progress of contractor rehabilitation of owned property to minimize delays.

PROPERTY MANAGEMENT

RLA provided management services on its acquired properties until they were either demolished, rehabilitated, or disposed of in other ways. These services involve

- property inspection,
- execution of lease agreements and rent collections,
- maintenance and repair,
- provision of custodial service,
- trash collection, and
- rodent and pest control.

RLA kept properties in its inventory longer than was originally expected. It was unable to quickly dispose of them because suitable housing at affordable rents was not available for the tenants who would be vacated from the acquired buildings, and redevelopment and rehabilitation was slow. As a result, RLA's property management workload in the 14th Street urban renewal area steadily increased.

RLA experienced problems in:

- Identifying all properties for which it has management responsibilities.
- Inspecting properties.
- Executing lease agreements and collecting rents for occupied properties.
- Doing necessary maintenance and repairs on occupied dwellings and exercising adequate controls when contractors perform such work.
- Collecting trash and exterminating rodents.

Many of these problems were directly attributable to an inadequate management information system and to the lack of supervision and controls that would logically be included in such a system.

Property management workload

RLA did not have an accurate inventory of properties and units in its property management workload. At the outset of our review we requested and were given a list purported to contain all RLA-owned properties in the 14th Street area as of August 1973. This list, which did not show the number of units involved, enumerated 995 addresses containing 811 buildings; however, our comparison of the data on the list with data contained in acquisition records showed that 424 of the listed addresses represented properties which RLA had never acquired and that RLA owned only 401 of the buildings shown on the list. Also, the RLA list did not include 16 addresses containing 9 buildings which RLA had acquired. No information was provided on the number of units, so we requested RLA to provide a corrected list of owned properties and associated dwelling units, both occupied and vacant.

RLA provided another list showing 584 addresses as owned properties. The list showed 340 buildings--of which 192 were shown as occupied and 148 as vacant--and 235 vacant lots. The list contained only limited data on dwelling units. Moreover, our comparison of the data on the list with acquisition data previously developed showed that the RLA list included some properties which had never been acquired and did not include some RLA-owned properties shown on the original list.

We did not attempt to reconcile the differences but rather provided RLA property management officials with the information we had available so that they could develop a current, up-to-date list, based on data available from property acquisition and accounting records.

In October 1975 DHCD officials advised that acquired 14th Street property had been included in a computer listing containing pertinent data such as address, number of units, designated use, and initial acquisition cost. Also, property accounts are to be established for each acquired property to keep track of all income and expenses.

Conclusion

Property management in an urban renewal area is a difficult task when relatively short-term management is involved. In 14th Street, where long-term management has been the rule rather than the exception, lack of knowledge as to the specific identity of properties to be managed can do nothing but further complicate an already complex property management problem. Specific knowledge of all properties involved is a prerequisite to providing the related specific services to tenants in such properties.

RLA did not have accurate inventory of its property. Data was available within RLA to prepare and keep such a list up to date; but it was not until October 1975 that the listing and related income and expense information was fully established. This is a major step toward establishing control over property. However, the system does not provide procedures for recording property as it is acquired or for keeping track of tenants or controlling property from the time it is designated until it is either dropped from the plan or disposed of.

Property inspection

A September 1973 RLA report cited property inspection as a critical function of property management. At the completion of our fieldwork, RLA had not organized an effective property inspection program but was doing so.

Before January 1974, RLA's property maintenance inspection staff consisted of one inspector responsible for all RLA-owned properties. The functions of this inspector consisted of inspecting:

- Properties upon acquisition.
- Contractors' completed work.
- Properties for temporary onsite moves.

However, the inspection workload was too great for one inspector, and, as a result, many inspections were not made. RLA was not inspecting properties at the time of acquisition to determine their condition and the repairs needed, and it was not adequately inspecting, before payment, contractors' maintenance and repair work.

Because the third NDP year was the most recent year in which RLA acquired properties in the 14th Street area, we examined the property folders--in which, according to RLA officials, documentation of inspections would be filed for 32 properties RLA acquired during that year--to ascertain whether properties were being inspected. The folders contained documentation showing that RLA had inspected only 6 of these 32 properties. The property inspector said that if the properties had been inspected he would have documented the inspection in his informal file; however, he could provide no such documentation. Inspection reports were not being filed in the property folders.

The following table shows pertinent data relative to the timing of the six inspections made.

<u>Address</u>	<u>Date of acquisition</u>	<u>Date of initial inspection</u>	<u>Days from acquisition to inspection</u>
3560 11th St., NW	2-13-73	3-21-73	36
3583 13th St., NW	3-1-73	3-21-73	20
1419 Harvard St., NW	12-20-72	3-9-73	79
1423 Harvard St., NW	11-10-72	3-8-73	118
1435 Harvard St., NW	7-9-73	2-13-74	219
2920 Harvard St., NW	11-22-72	10-5-73	317

Even for those building RLA inspected, the record shows that inspections were not made promptly.

In January 1974 the property inspection staff was increased to four inspectors by temporarily reassigning three individuals from other offices within RLA to the Office of Property Management; RLA subsequently increased its staff and by November 1974 had four permanent full-time inspectors. The agency also plans to institute four major areas of inspections for all properties: (1) preacquisition, (2) postacquisition, (3) quarterly, and (4) periodic inspections of major systems (that is, electrical, plumbing, etc.). An RLA official told us that, before this inspection program was developed, no specific requirements existed for inspections of RLA properties. The program was formalized in June 1975 when the procedures were incorporated in the RLA manual.

The preacquisition inspection will begin simultaneously with the initiation of negotiations with the owner for the acquisition of his property. This should give RLA information necessary to determine the level of services and materials needed to maintain the property after acquisition.

The postacquisition inspection will be undertaken within 30 days from the date on which RLA obtains title to the property. This inspection should make RLA aware of changes in property conditions from the time of the preacquisition inspection and repairs needed to bring the property to safe and habitable conditions.

The quarterly inspection will be made on all RLA-owned property to identify problems that have developed since the postacquisition inspection and to systematically identify problems that have not previously been noticed. RLA also plans to periodically inspect all major systems of its properties with emphasis on heating, electrical, and plumbing systems.

As pointed out in a September 19, 1973, RLA report entitled "A Property Management Program for the 14th Street urban renewal area", "the development of a well-structured property inspection program must be undertaken before RLA can exert any control over the property management inventory." Although the report addressed the plans for the inspection program, at the completion of our fieldwork in November 1974, RLA had not yet initiated any portion of this program because, according to an RLA official, priority was placed on first eliminating the backlog of other types of inspections; for example, inspecting contractors' work.

Conclusion

A well-structured inspection program is fundamental to a good property management program. A good inspection program will aid in identifying what property can be used as temporary relocation resources and the level of services and maintenance needed to maintain safe and habitable property. Further, to insure that inspections are made and to allow for evaluating the adequacy of the inspections, inspection reports should be reviewed by some supervisory authority and filed in the property folders after needed corrective action is initiated. A followup system should be established to insure that required work is done.

RLA's inspection program has not been adequate, and although a revised program has been developed, it was not until June 1975 that the program was formalized and procedures were issued.

Recommendations to the Director, DHCD

The Department should:

- Require supervisory review of inspection reports to insure that inspections are adequate, that required corrective actions have been taken, and that inspection reports are properly filed in the property folders.
- Establish a followup system to insure that required work is done.
- Establish a system making satisfactory temporary relocation housing known to relocation personnel.

Lease agreements and rental collections

The executing of lease agreements and the collection of rents are important functions of property management because of the revenues these activities provide to the agency. Despite this, RLA had a large backlog of unsigned lease agreements--about 232 based on the data available to us--and a huge delinquent rent account in the 14th Street area--about \$550,000 based on data obtained from RLA's rent card files as of March 1, 1974.

Unsigned lease agreements

As of July 22, 1974, it was not possible to state with certainty, because of inadequate records, the number of unsigned lease agreements in the 14th Street area. RLA developed a list of 122 unsigned lease agreements for us, but the accuracy and completeness of that list is questionable. Our review of three sets of RLA data generated three different sets of figures for unsigned lease agreements.

To check the accuracy of RLA's data on unsigned lease agreements, we compared their list with RLA's own tenant ledger cards. In only 16 instances did the tenant ledger cards and their list agree; 97 individuals listed had no cards. In nine instances the tenant ledger cards indicated a signed lease agreement, and the list indicated no lease agreement. In addition to 122 names without lease agreements, 84 additional individuals with tenant ledger cards did not appear to have lease agreements.

We also checked the relocation counselors' workload data for the 14th Street area. From the workload list we were able to identify 35 additional individuals who did not appear to have lease agreements. This is a conservative figure since not all of the relocation counselors indicated the status of lease agreements on the lists they developed for us. Our inspection of RLA's separate and often conflicting records would suggest that about 232 individuals did not have lease agreements. We gave RLA the data we developed so it could reconcile it with its data and prepare a single list to use as a basis for obtaining signed leases for all occupied properties.

Whether this backlog numbers 122 or 232 unsigned lease agreements, it was primarily the result of RLA's failure to negotiate lease agreements in the 14th Street area since April 1973. According to an RLA official, this failure was caused by a breakdown in the administrative functions of the Office of Property Management. The official said that acquisition reports were being sent to the Office but that the reports were not being disseminated to the individuals responsible for negotiating the lease agreements. Until April 1974 the Office of Property Management assigned only one individual to the task of contacting each tenant and arranging lease agreements for all RLA-owned properties. To streamline this process, the Office of Property Management recently started to mail lease agreements to tenants with instructions to sign and return these to RLA.

RLA officials informed us that all rental payments were received in the Office of Property Management and only checks or money orders were accepted as payment. They said that until April 1974 cash was also accepted.

The tenant receives a receipt upon payment. A copy of the receipt is sent to the Office of Financial Management for the accounting records. According to an official, no effort was being made to collect delinquent rents from tenants who had not signed lease agreements because a rental rate for these tenants had not been established.

Under the revised reorganization of the Property Management Office, RLA planned to have at least four individuals responsible for lease agreements. One of these individuals will be assigned to the 14th Street area. The assistant executive director for relocation and property services advised us on November 22, 1974, that the Property Management Office was fully staffed except for the director and one secretary. Additionally RLA instituted new procedures under which rents will be established and charged even though tenants have not signed a lease agreement.

Delinquent rents

RLA is not collecting all rents due. As of March 1, 1974, delinquent rents for the 14th Street area were about \$550,000.

HUD regulations authorized RLA to withhold relocation payments, excluding a \$200 dislocation allowance, to offset the accounts receivable from individuals who have delinquent rents at the time they were relocated. We reviewed the rent cards for 14 tenants who moved from the 14th Street area to determine the extent of these offsets. Although RLA is generally following this procedure, in some cases the offsets were not sufficient to fully cover the delinquent rent accounts of those individuals who were relocated. In some cases moneys owed by tenants were not withheld.

- A tenant who had a delinquent rent of \$61.33 moved on October 23, 1971. He received a relocation payment of \$687.60 on July 11, 1973.
- A tenant who had a delinquent rent of \$720 moved on September 15, 1973. He received a relocation payment of \$3,600.00 on March 18, 1974.

Effective March 31, 1975 the HUD regulation was changed to prohibit withholding relocation payments to offset accounts receivable relative to delinquent rents; however, the regulation stipulates that offsets may still be made where required by local law. The District has such a legal requirement in effect, thus the offset practice will continue.

RLA made very limited efforts to collect delinquent rents in the 14th Street urban renewal area. RLA officials informed us that only one delinquent rent notice was sent to tenants who had past-due accounts. The second notice, which indicated that legal action would be taken if payment were not received, was not sent because the Office of Property Management had not requested legal action. Before April 1, 1974, the Office had assigned only one individual the responsibility for collecting delinquent rents for all RLA-owned properties; RLA could not give us a reason for this.

In September 1973 RLA established a policy of eviction which would require legal action to be taken against any tenant in arrears for more than 60 days. Although RLA has pursued evictions to vacate families from unsafe or unsanitary conditions, officials advised us that it has never evicted any tenant in the 14th Street area for failure to pay rent because RLA did not:

- Have a clearly defined eviction policy until September 1973.
- Want to bring additional public attention to its property management problems by pursuing evictions.
- Want to undertake any actions which would jeopardize its position in a pending law suit dealing with displacing tenants through the relocation process.

In June 1975, RLA adopted a new rent collection procedure which requires contacting a delinquent tenant a total of 4 times within 23 days after the date rent is due. The final contact is a notice to vacate the premises. The new procedures include eviction actions, although RLA officials advised us that tenants have not been evicted for non-payment under the new procedures.

Conclusion

RLA did not have an adequate system for obtaining signed lease agreements or for collecting rents from tenants of RLA-owned property. Contributing to the inadequacy was RLA's failure to have accurate lists of properties in its property management workload, which adversely affects control over the properties to be managed, particularly those which are occupied.

The failure to properly execute leases and collect rents resulted in a substantial loss of revenue--in itself a serious problem in times of limited funds for housing activities. By not administering this phase of the renewal activity effectively, RLA lost the opportunity to exercise visible leadership and establish itself as administratively able, thereby gaining the confidence of 14th Street area residents. The revised rent collection procedures represent a major step toward improved management of this phase of the property management activity.

Recommendation to the Director, DHCD

The Department should establish:

- A systematic procedure to obtain signed lease agreements.
- A followup system to insure that lease agreements are obtained and rents are collected.

Property maintenance and repair

RLA is responsible for maintaining its acquired properties in a safe and sanitary condition. To do so, RLA either used its maintenance service personnel or hired private contractors.

Maintenance requests were received from the tenants; relocation counselors; rehabilitation inspectors; the Mayor's 14th Street area task force; property management inspectors; and the Licenses and Inspections Division of the District's Department of Economic Development. This caused RLA some administrative problems because requests for the same maintenance often were received from different sources. In several cases RLA received duplicate requests, prepared duplicate work orders, and dispatched crews to a dwelling unit only to find that another crew had already completed the maintenance.

In addition, until July 29, 1974, two offices within RLA's Office of Property Management received and processed maintenance requests. Work orders received from tenants were processed through the property maintenance division at 725 North Capitol Street, NW., while those from all other sources were processed through the property services division at 1711 14th Street, NW.

On July 29, 1974, the property maintenance division was moved to 1711 14th Street, NW. At that time the Office of Property Management began to operate from one central location. In addition, to help eliminate the processing of duplicate work orders, a central office and revised procedures providing for the receipt and processing of all maintenance work orders through this office were established.

Work order backlog

Although our review showed that RLA generally satisfied requests for maintenance and repair work promptly and that tenants were satisfied with the completed work, a backlog of work orders existed at the time we completed this portion of our work.

Before January 1974, RLA maintained no data on the number of work orders received and processed. A study by RLA's Office of Management and Evaluation in October 1972 indicated that, for a 10-month period in 1972, RLA received approximately 7,700 work orders for all its properties. Of these, 6,627, or approximately 86 percent, were completed.

The work orders completed in the 14th Street area totaled 1,435. According to the Office's study, RLA took from 1 to 162 days to complete these work orders.

In January 1974, RLA began to maintain a weekly record of the number of work orders received, completed, and outstanding. This information shows that by mid-March 1974, RLA had a backlog of 130 work orders in the 14th Street area. About 76 work orders were received each week. In July 1974 RLA had a backlog of 95 work orders.

We examined 68 maintenance work orders completed for 10 addresses from January through March 1974 to determine the type of work order received and the time in which RLA completed these requests. Four of these work orders showed no completion date. The types of maintenance requests consisted of carpentry, plumbing, heating, electrical, plastering, and painting. The period in which the 64 work orders were completed ranged from 1 to 54 days. Sixty three percent of the work orders were completed within 5 days after they were received.

Work orders that were completed within a relatively short time and those that were completed after a 5-day period had no basic differences. For instance, a burst pipe was repaired at one address within 1 day while at three other addresses RLA took 3, 10, and 49 days to dispatch a crew to repair the burst pipes. Also, RLA took 3, 4, and 10 days to dispatch a crew to unstop sinks at three different addresses. Except for the case where it took 3 days to repair a burst pipe, RLA officials could not explain these large variances. An RLA official said the 3-day delay in repairing the burst pipe was because the water was running into a bathtub and was not considered to be an emergency.

We physically inspected the work performed by RLA's maintenance staff for 16 work orders at four addresses. For the majority of the cases, RLA responded to the maintenance request promptly and the tenants were satisfied with the completed work.

Conclusion

The effectiveness of RLA's work order processing system had been hindered because of the numerous sources from which maintenance requests were received and because the agency's failure to promptly establish a central point for receiving all maintenance requests and processing all work orders. Adherence to the revised procedure should eliminate this problem.

For the most part RLA's maintenance crew seems to be properly responding to maintenance requests, and the tenants seem to be satisfied with the work done.

Contracted services

To supplement its property maintenance staff, RLA employs private contractors to do maintenance on RLA's properties. Because the majority of the work to be contracted out is expected to be small jobs (\$500 or less), RLA negotiated blanket purchase agreements with 20 contractors to facilitate the assigning of these maintenance jobs.

We selected 4 contractors and reviewed the maintenance work orders they completed at 49 addresses for September 1973 through January 1974. Our review showed that:

- RLA had inspected only 33 (23 percent) of the 141 work orders we examined before payment because according to RLA officials, only 1 inspector was available for all RLA-required inspection activities.
- RLA made duplicate payments in four cases. For one address a contractor had submitted and RLA paid a bill for plastering and painting the apartment. Four days later RLA received and paid a bill for plastering the same apartment. One day later RLA received and paid another bill for painting the same apartment. Although no action has been taken to correct these multiple payments, an RLA official said the amount of overpayments will be deducted from subsequent payments.
- The work done at six of the addresses consisted of several small work orders which in the aggregate exceeded \$2,500 and which should have been formally advertised. The work consisted of over \$5,000 for painting at one address and over \$4,800 for painting and plastering at another address. However, the contracts were not let through a process of formal advertising, even though Federal procurement regulations require that no contracts exceeding \$2,500 be made by negotiation if the use of formal advertising is feasible.

An RLA official said this occurred because in August 1973 the assistant executive director for relocation and property services assigned the entire backlog of maintenance work orders to two contractors.

- RLA's property management office did not determine the need for the work we examined under these contracts because the work was assigned to contractors before this could be done.

In addition, we physically inspected the work done for 10 maintenance work orders at 5 of these addresses. We found, and the RLA inspectors who accompanied us, agreed that:

- The cost for some of the work appeared questionable in relation to the small amount of work done. For example, we noted one case in which a contractor had charged RLA \$325 to rebuild a small brick wall consisting of approximately 70 to 80 bricks.

The bricks used were the ones which had made up the wall which had previously fallen down. On the same day the same contractor charged RLA \$275 to patch a cement walk and to repair the front basement steps at the same address.

- Some of the work certified by the contractors as being complete was not always done. For example, the work order for one address indicated that the contractor painted a four-bedroom apartment with two coats of paint. Our inspection revealed that this was a three-bedroom apartment, and, according to the tenant, only one coat of paint had been applied except in one bedroom. At another address, the contractor had certified on his bill to RLA that he had scraped loose wallpaper from the walls and ceiling, spot-plastered the apartment, and painted the apartment with two coats of paint. We noted that much of the loose wallpaper had not been scraped before painting, only one coat of paint apparently had been applied, and nothing indicated that the apartment had been spot-plastered.

An RLA official advised us that until December 1973, RLA had no established procedures for negotiating property maintenance contracts because management did not consider this a high priority. The December 1973 procedures require that:

- The requirements of all applicable laws and regulations be met.
- Before a contract for maintenance service is entered into, a determination of need for the contract be established. In determining the need the Office of Property Management is to consider the type and urgency of the work required, the capabilities of the property maintenance staff, and the most efficient way for completing the work.
- RLA estimate the cost of the work to be done before awarding the contract.
- Each contract estimated by RLA to cost more than \$2,500 in the aggregate be let through a process of formal advertising except in emergencies or when it would be impractical to secure competition.
- Contracts estimated to cost from \$500 to \$2,500 be awarded on the basis of three written price quotations.
- Work which costs over \$2,500 not be broken down into separate contracts of less than \$2,500 to circumvent the limitation.
- RLA inspect all contract work (1) over \$500 before payment and (2) less than \$500 as appropriate. Within these limits the inspector is to sign all bills processed for payment.
- The director of the Office of Property Management certify payment of all bills.

To determine if the new contracting procedures were being adhered to we examined 35 work orders performed by four contractors for March through April 1974. Our examination indicated that these procedures are being followed.

On June 10, 1974, RLA's Board of Directors approved the establishment of an Office of Contracts to perform centralized contracting and procurement functions for RLA. This action was undertaken as a result of a consultant's study which indicated that RLA's present contracting system for procuring supplies, equipment, business services, and program contracting was obsolete. The consultant was originally engaged to assist RLA in preparing a contracting and procurement manual. Part of the responsibilities of this new office was to plan, award, administer, and terminate contracts for demolition, site clearance, site improvements, direct agency rehabilitation, property management repairs, and services over \$2,500. The Office of Property Management retained authority to process contracts of lesser amounts.

In June 1975, RLA issued additional procedures dealing with property maintenance and repair. The new procedures detailed the steps to be taken from the time a request is received until the work is completed and, if performed by a contractor, inspected and approved for payment.

Conclusion

RLA had not exercised adequate control over maintenance work done at RLA properties by outside contractors, and thus had no assurance that all work paid for was in fact done. This occurred because, as pointed out previously, RLA's inspection activities were not being carried out effectively.

In addition, RLA may have incurred unnecessary costs because it did not select contractors through competitive bidding processes. We recognize that some of the actions taken in this regard represented an attempt to reduce a substantial work order backlog; this does not justify, however, avoidance of contracting standards established to control expenditures of public funds. The new procedures, if followed, should help in avoiding some of the problems noted.

Recommendation to Director, DHCD

The Department should establish procedures to periodically and systematically monitor the implementation of the revised procedure to ensure effective results and to avoid recurrence of the problem.

RLA properties do not meet District housing code standards

RLA's failure to maintain its acquired 14th Street properties in compliance with the District housing code standards was one of the matters widely discussed by the news media. HUD regulations require only that properties be maintained in a safe and habitable condition; there is no legal requirement to bring properties up to District housing code standards.

RLA officials advised us that the cost of enforcing code regulations on its properties would be prohibitive. The officials said that the majority of properties RLA owned were substandard at the time of acquisition and that it would not be economically feasible for RLA to bring these properties into conformity with the local housing codes. In addition, an RLA official said that, if properties are brought up to District code standards they would no longer be substandard and would not qualify for urban renewal.

We attempted to but could not verify the condition of RLA properties at the time of acquisition because RLA had not inspected its properties then. Therefore, we could not determine if the condition of properties acquired by RLA improved or deteriorated after acquisition.

The question of whether or not RLA is legally required to maintain its properties in conformity with District housing code standards has plagued RLA for several years. In November 1972 a lawsuit was filed in U. S. District Court for an injunction to enjoin RLA "from failing to maintain residential properties it has acquired in the area (14th Street Area) in accordance with the provisions of the District of Columbia Housing Code." The U. S. District Court denied the requested injunction and stated that "a general statute imposing restrictions does not impose them on the Government itself, without a clear expression or implication to that effect." The court found no implications in the statute delegating to the District Government the power to "make and enforce building regulations that Congress intended such regulations to apply to buildings acquired by RLA."

The plaintiffs appealed the decision to the U.S. Court of Appeals for the District of Columbia Circuit. On April 26, 1974, the appellate court upheld the decision of the District court, stating that "it would be unreasonable to construe the Housing Code as immediately and directly applicable to RLA's temporary residential properties."

Conclusion

RLA does not bring properties in compliance with District code standards because HUD regulations require only that properties to be maintained at a safe and habitable level. Neither RLA nor HUD have defined safe and habitable, nor has RLA established formal standards for maintaining its properties. Therefore, there is no criteria against which to measure the adequacy of RLA maintenance. The establishment of criteria as to what is safe and habitable and the enforcement of this criteria would better insure that tenants have safe and habitable housing and allow for evaluation of RLA's method of carrying out its property maintenance responsibility.

Information on whether the criteria is being satisfied could be provided by inspectors as a result of the planned periodic inspections discussed earlier and by relocation counselors during their periodic visits to tenants.

Recommendations to the Director, DHCD

The Department should:

- Define, in consultation with HUD, what constitutes safe and habitable housing.
- Include, in its maintenance program, bringing occupied RLA-owned property to a safe and habitable level as appropriate.
- Through its inspection and counseling programs, insure that the safe and habitable standards are maintained.

LAND DISPOSITION

The sale or lease of land to public or private developers is the final step in urban renewal. District of Columbia land use was controlled largely by the National Capital Planning Commission. In accordance with an NCPC plan, RLA's Office of Planning and Design determined the type of structure to be placed on the parcel. Because RLA does not have the authority to construct new buildings, it must dispose of its land to developers which agree to redevelop the land in accordance with the urban renewal plan. Since NDP's inception in 1970 RLA acquired land costing about \$22.4 million for redevelopment in the 14th Street area.

As of January 14, 1976, no new housing construction has been started, although RLA has acquired substantial numbers of properties for redevelopment and, according to RLA officials, new housing is needed in the area. A \$4 million health center was completed in December, 1975.

Three housing development packages have been assembled; HUD approved 2 in mid-November 1974, and had disapproved the other earlier.

Residential disposition

RLA scheduled 15 squares or parts of squares for residential disposition in the 14th Street area. Of these, 9 are currently assembled into 3 residential packages containing a total of 12.92 acres, as shown in the following table.

14th Street Residential Disposition Packages

<u>Package</u>	<u>Parcel number</u>	<u>Land area in acres</u>	<u>Prospectus issued</u>	<u>Proposed housing units</u>	<u>Developer selected</u>
I	3	2.46	5-16-73		
	4 + 25	2.47		406	Sept. 1973 (note a)
	7	1.80			May 1974
	8	1.06			
II	10	1.37	2-25-74	160	
	17	1.78		84	June 1974
	18	.82		40	
III	2,30,31	<u>1.16</u>	2-25-74	<u>72</u>	May 1974
	Total	<u>12.92</u>		<u>762</u>	

a

Developer initially selected withdrew in March 1974.

Package I

This project--a 406-unit combination of high-rise and walkup apartments and town houses--consists of portions of 4 squares in the center of the 14th Street area. Federal financial assistance--interest subsidy and mortgage insurance--is available for this package under section 236 of the National Housing Act of 1949. RLA issued a prospectus for the sale and redevelopment of this land on May 16, 1973. In July 1973 four proposals were received from developers interested in purchasing and redeveloping this land. The sponsor/developer was submitted to HUD in October 1973. A HUD official informed us that, because of a national housing moratorium, processing was not started on this application until November 1973. On March 5, 1974, the developer withdrew because of financial and other risks involved with the project.

Another developer was selected in May 1974 and a feasibility application submitted to the HUD area office on June 26, 1974. Although HUD procedures state that a feasibility letter, or rejection must be issued within 30 days, the feasibility processing was not completed until November 1974. A HUD official told us that delay resulted because HUD did not have sufficient resources to process the large number of applications received. The estimated cost of the project is about \$10.9 million, and RLA estimates that construction should start in June 1976.

Package II

This package--a 284 unit combination of high-rise and walkup apartments--consists of portions of 3 squares in the lower 14th Street area. Federal financial aid under section 236 of the National Housing Act was available for this package. A prospectus for the disposition and redevelopment of this land was issued for a 30-day period on February 25, 1974. No response was received during this period so the prospectus was reissued for an additional 2 weeks. Three developers responded during the extended period, and one was selected on June 10, 1974.

An RLA official advised us that the lack of interest in this project was due to the problems experienced by the developer in package I. A feasibility application was submitted to HUD on June 27, 1974, but was rejected for processing because of the lack of available funds. RLA objected and appealed the decision to HUD; the project was again rejected in November 1974, and HUD advised RLA to resubmit the project under the new Housing and Community Development Act of 1974. HUD issued its announcement of an invitation for proposals in July 1975; 16 responses were received and were being analyzed as of January 9, 1976. The estimated construction costs for this project are about \$7.6 million.

Package III

This project has 72 walkup apartments and consists of 4 parcels on the northwestern edge of the 14th Street area. Section 236 financing was available for this package. The estimated cost of the project is \$1.6 million. The sponsor/developer responded to the prospectus for this package on March 25, 1974. The sponsor/developer was designated on May 15, 1974, and a feasibility application submitted to HUD on June 25, 1974. The project was approved in mid-November 1974 and RLA expects construction to start in June 1976.

Problems in obtaining developers
for residential development

A major problem confronting RLA in disposing of its land for redevelopment is attracting developers into an urban renewal area. An RLA official informed us that developers are not interested in building in the 14th Street area because of the high risks involved, such as potential damage to contractors' equipment and property and the financial risks.

To encourage developers to build in urban renewal areas and to reduce the financial risks involved, RLA attempts to assemble its disposition areas into sites that are of an attractive size to be developable and marketable by private developers. However, before preparing a prospectus for redevelopment, RLA does not solicit sponsor/developers' views on what they would like to build and what they think would be successful in an urban renewal area.

A representative of a major development corporation which was previously interested in developing a project in the 14th Street area advised us that redevelopment in the 14th Street area was not attractive to private developers because:

- The District did not have a tax abatement policy for housing construction similar to other cities. (Tax abatement authority for the District was provided by Public Law 93-407, section 431, approved Sept. 3, 1974.)
- Areas to be redeveloped were not large enough.
- Commercial and residential redevelopment were not being undertaken simultaneously.
- Construction of redevelopment projects was not begun promptly.

The representative advised us that the reasons for withdrawing from the Package I project were that:

- It would require a substantial investment of cash--about \$200,000 because HUD estimated that the developer would have to operate at a substantial deficit for about 2 years.

- The project is situated in the center of the 14th Street area where the contractor believed he would be faced with the possibility of equipment being vandalized. He believed also that it would be more difficult for redevelopment to succeed in the center of the project area than near the borders.
- The possibility of renting the apartments after completion to low-and moderate-income tenants was uncertain.
- RLA should have rehabilitated 1400 and 1401 Fairmont Street, NW.--two large apartment buildings near the project site--and should have bought some additional properties on the north of the project for rehabilitation so that there would be some operating rental projects in the area.
- The cost of construction of the required high-rises in the project would be too high. He would prefer walkup construction which he estimated would be 35 percent less expensive.

This official also stated the belief, which is shared by some RLA officials, that there will have to be a substantial increase of Federal subsidies if redevelopment in the 14th Street area is to be successful.

Commercial Disposition

RLA has designated approximately 13.36 acres of the 14th Street area for commercial redevelopment as a Major Community Service Center (MCSC). At the completion of our fieldwork, however, RLA had not yet disposed of any of this land for redevelopment. An RLA official advised us that the agency has prepared a prospectus for the commercial redevelopment of three parcels; the prospectus will be issued as soon as certain acquisition problems are resolved with the City Council. The previously mentioned health center, about 0.60 acres, was completed in December 1975.

A recent market study by a consultant indicated that the 14th Street area has a small market for commercial redevelopment. Although the 14th Street urban renewal plan allows for redeveloping 2.5 million square feet of commercial space, the consultant indicated that the potential for new commercial development in MCSC by 1980 would only be about 75,000 square feet. The report attributes this relatively low-level need to (1) the completion of the Metro system (subway) which will provide the residents of the 14th Street area with easy access to other shopping areas and (2) relatively small number of additional new housing units which will be made available under the planned renewal for this area. An RLA official informed us that, even though the urban renewal allows for the commercial redevelopment of up to 2.5 million square feet, RLA is not required to redevelop the maximum space permitted.

CONCLUSION

Each step leading to the assembling of a package for disposition and the problems encountered in carrying out the steps impact on the timeliness and quality of the package involved; these matters have been discussed in previous sections of this enclosure. The problems discussed earlier in this section relate primarily to land disposition, recognizing that some problems, such as the scarcity of financing and spiralling construction costs, occurred outside the scope of that activity. Timely disposition of land for redevelopment is one of the most highly visible activities undertaken to achieve urban renewal redevelopment. Getting redevelopment of the first package underway is probably the most difficult aspect of this activity as well as the most important. RLA disposed of its first housing redevelopment package in November 1974. Obviously, construction has not yet begun on the first new housing units and is not expected to start until June 1976. RLA officials, as well as developers, have acknowledged that developers are most inclined to get involved in an area where construction of some sort is already underway rather than to pioneer construction in an urban renewal area.

RLA might have improved the climate for attracting developers by undertaking some of its rehabilitation activities more quickly. Closer coordination among RLA, HUD, and developers at a much earlier stage--before a prospectus was prepared--would tend to minimize the areas of misunderstanding and controversy over such matters as the type of construction which most nearly satisfied the housing needs of the area while still presenting a reasonable profit incentive for the developers. During this period HUD's advice on available Federal financial assistance could also be solicited and commitment of funds arranged; the latter factor has been a significant problem in the 14th Street area.

Provision of tax incentives to developers, an option not previously available to RLA, might encourage greater competition and increase the possibility of more timely development of units, at costs which are more nearly within the financial reach of urban renewal area residents.

We have recommended to the Mayor that the District discuss with developers the types of projects considered to have the best chance of succeeding before issuing a prospectus and that the District consider whether tax abatement would aid in more speedy redevelopment without adversely affecting the District's revenue position.

SCOPE OF REVIEW

Our review included examining RLA's

--procedures and criteria for planning, acquiring, and demolishing acquired properties;

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- procedures and practices for serving the needs of families and/or individuals displaced by urban renewal actions;
- rehabilitation policies and procedures and extent of rehabilitation accomplished for acquired and nonacquired properties; and
- the effectiveness of its property management function.

We also discussed urban renewal activities with HUD officials, RLA and subsequently DHCD officials, local developers, and Federal and local officials in Baltimore, Maryland, where significant urban renewal activities are in progress.